

Message Text

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SUBJECT: TACHAI'S HIGH CAPITAL ACCUMULATION RATE BECOMES
A NATIONAL GOAL

REF: PEKING 1265

1. THE CHINESE PEASANT MIGHT REJECT THE TACHAI PROGRAM, IF THE POST-MAO LEADERSHIP ATTEMPTS TO PUSH INCREASED CAPITAL INVESTMENT IN AGRICULTURE AT HIS EXPENSE. AN ARTICLE IN THE JUNE 28 PEOPLE'S DAILY SUGGESTS THE PEASANT WILL BEAR THE FINANCIAL BURDEN FOR THE HUA GOVERNMENT'S AGRICULTURAL MODERNIZATION PROGRAM. THE FRONT-PAGE FEATURE IMPLIES THE COUNTRY'S PRODUCTION BRIGADES, A BASIC UNIT OF AGRICULTURAL PRODUCTION, WILL BE REQUIRED TO DOUBLE CAPITAL ACCUMULATION AT THE EXPENSE OF THE FARMERS' DISPOSABLE INCOME. THE ARTICLE FOR THE FIRST TIME REVEALS THE FINANCIAL STANDING OF THE TACHAI BRIGADE, THE NATIONAL MODEL AND PACE-SETTER FOR AGRICULTURE, AND CLAIMS THAT SINCE 1970 CAPITAL ACCUMULATION HAS AMOUNTED TO 20 PERCENT OF THE BRIGADE'S ANNUAL GROSS INCOME. THE EDITORIAL NOTE WHICH INTRODUCED THE ARTICLE POSED THE RHETORICAL QUESTION, "TACHAI HAS DONE IT, WHY CAN'T OTHERS DO THE SAME?"

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2. TACHAI'S HIGH 20 PERCENT RATE OF SAVINGS WAS ACHIEVED BY REDUCING PRODUCTION EXPENSES FROM 25.7 PERCENT TO 20 PERCENT OF GROSS ANNUAL PRODUCTION AND BY REDUCING ADMINISTRATIVE OUTLAYS FROM 0.36 PERCENT TO 0.2 PERCENT. THE 20 PERCENT FIGURE IS CONSIDERABLY HIGHER THAN THE 4.1 PERCENT GOAL ANNOUNCED AT THE BEGINNING OF COMMUNIZATION, AND IS DOUBLE THE HIGHEST PREVIOUSLY RECORDED RATE OF 10 PERCENT.

3. THE FOLLOWING TABLE ON THE TACHAI BRIGADE'S FINANCIAL STATUS WAS COMPILED FROM DATA CONTAINED IN THE ARTICLE AND EARLIER INFORMATION PUBLISHED IN THE PRC PRESS.

	U.S.\$ VALUE	PERCENT
A. GROSS INCOME (ANNUAL)	87,368	100.0
PRODUCTION EXPENSES	17,474	20.0
TAXES	6,989	8.0
ADMINISTRATIVE EXPENSES	175	0.2
B. NET INCOME (ANNUAL)	62,730	71.8
ACCUMULATION	17,474	20.0
WELFARE FUND	3,495	4.0
DISPOSABLE INCOME FOR DISTRIBUTION TO MEMBERS	41,761	47.8

4. TRADITIONALLY, A PRODUCTION BRIGADE'S ACCUMULATION FUND HAS BEEN USED TO PURCHASE MACHINERY. TACHAI USED ITS ACCUMULATED CAPITAL TO BUY 90 UNITS OF FARM MACHINERY TOTALING 400 HORSEPOWER FOR A PRICE OF U.S.\$105,000. IN PUBLISHING THE TACHAI STATISTICS, THE POST-MAO LEADERS EVIDENTLY ARE PUSHING HIGHER ACCUMULATION TO ATTAIN THE GOAL OF AGRICULTURAL MECHANIZATION BY 1980.

5. ALTHOUGH NOT SPECIFICALLY STATED IN THE ARTICLE, IT IS LIMITED OFFICIAL USE

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ASSUMED TACHAI'S HIGH RATE OF SAVINGS WAS ACHIEVED THROUGH A REDUCTION IN THE DISPOSABLE INCOME OF BRIGADE MEMBERS, SINCE REDUCED PRODUCTION AND ADMINISTRATIVE COSTS ARE NOT HIGH ENOUGH TO EXPLAIN THE 20 PERCENT FIGURE. THIS WOULD ACCOUNT FOR THE TACHAI BRIGADE'S LOW U.S.\$93 ANNUAL PER CAPITA INCOME.

6. COMMENT: IF THE HUA GOVERNMENT ATTEMPTS TO ACHIEVE THE MODERNIZATION OF AGRICULTURE THROUGH LARGE-SCALE INCREASES IN CAPITAL ACCUMULATION AT THE LOCAL LEVEL, IT COULD UNDERMINE ITS AMBITIOUS NEW DEVELOPMENT STRATEGY AND CREATE POTENTIALLY SERIOUS POLITICAL PROBLEMS WITH THE COUNTRY'S PEASANTRY. IT IS IRONIC THE LEADERSHIP IS PUSHING THIS APPROACH AT THIS TIME WHEN IT APPEARS TO BE READY TO YIELD TO HEAVY PRESSURES FROM URBAN INDUSTRIAL WORKERS FOR WAGE INCREASES.

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